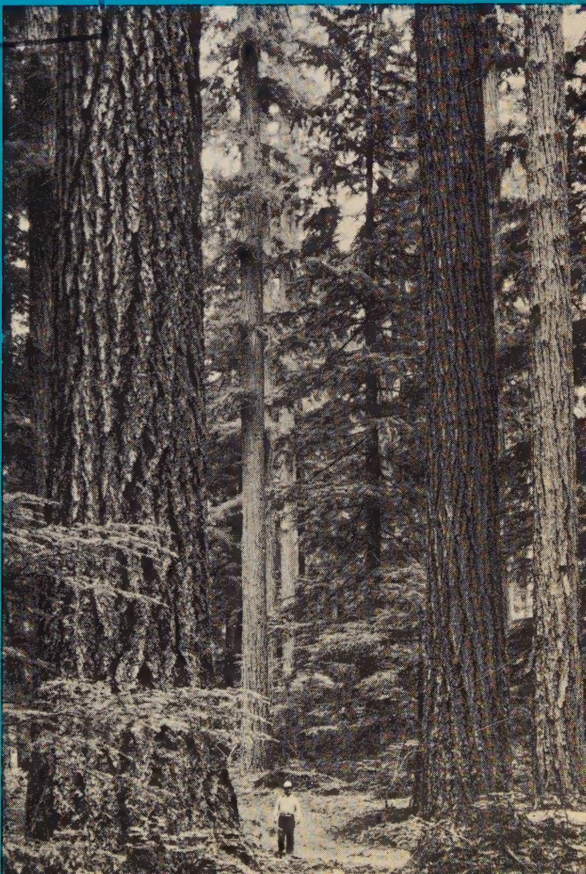
January 4, 1961

Investor's Reader

For a better understanding of business news



GEORGIA-PACIFIC BUILDS WITH MORE FORESTLANDS
(see page 21)

RAYETTE RAIMENT

Though she is bedeckec in fur this beauty's rea pride is her crowning glor whose luster she owes tc Rayette Inc of St Paul. Ray ette calls itself the nation' leading manufacturer o professional hair beautify ing products, sold (only t salons) under the Colo Tress, Golden Jet and Ray ette labels.

The company began i 1935 as a manufacture and distributor of ha preparations. While ha preparations still make u about 70% of Rayett business, it has by no expanded into a complet line of beauty salon proc ucts and equipment including electric hair dryers, hydraulic chairs an other beauty salon furniture. It has also gone into the chemical busines with a variety of compounds for use in the manufacture of its own ha preparations as well as for sale to other manufacturers. In fact the compan has a patent on the use of sodium bromate in the neutralizer part of col permanent waves. This chemical is found in roughly 90% of all profession cold wave packages. It is also used in home permanents.

The company has benefited especially by the growing public acceptanc of hair colorings as a cosmetic and fashion accessory. Rayette executiv vice president George Barrie thinks "hair coloring sales show the mo exciting potential for the industry and for Rayette." Rayette entered th color field three years ago and it contributed "more than $1,000,000 t 1960 gross." Total Rayette sales for the year are estimated around $12 350,000 or triple those of a decade ago. In fact management figure December set an alltime monthly sales record. Profits are figure around $680,000 as against $563,000 in 1959 and a mere $140,000 i 1950.

Rayette first went public in 1956. A 20% stock dividend and a 5-for- split in 1959 plus exercise of various stock options brings current share outstanding to 1,700,000 of which slightly over half is held by manage ment. The stock was listed on the Amex in July where it currently trade around 7.

Accepted as controlled circulation publication at Poughkeepsie, New York, INVESTOR'S READER published fortnightly. This issue dated January 4, 1961.

EX PAGE

Investor's Reader

No 1, Vol 36 January 4, 1961

BUSINESS AT WORK

TIONAL ECONOMY
mpact Impact

HE FAR-RANGING economic effects of the compact cars have eived considerable attention—a on to parking space allotters but a ne to suppliers of steel, sellers of s and collectors of taxes. The lat- aspect was lamented last fort- ght by New York State Tax Com- ssioner Joseph Murphy. With 4,000 compacts registered in the te, he foresees an annual reve- e loss of $3,000,000—$10 a car gas taxes, $6-to-8 in lower license s. The compacts still account for ly 3% of all New York cars on road, many of which date to mid-Fifties or earlier. Replace- nts will no doubt fatten the com- ct percentage.

But Commissioner Murphy may ve been unduly pessimistic on one ore—his tax loss figure is based an estimated gas consumption of miles to the gallon.

FOODS
Ralston Purina Plan

THE FAMILIAR red & white checkerboard trademark of 67-year-old cereal and feed specialist Ralston Purina Company is slated to play a bigger feed role overseas. Explains president Raymond E Rowland: "We believe the opportunity for developing animal feeds in Europe and South America is very good."

Thus for fiscal 1961 which ends next September Ralston Purina projects sales from international operations at $50,000,000. This compares with only $30,000,000 in fiscal 1960. The company also expects "greater earnings in fiscal 1961" from its domestic business.

While the $213,000,000-assets St Louis firm has sold its cereals and feeds in South America for years, it entered the European market only last March when it acquired a 50% interest in Duquesne Company, one

of France's largest feed processors. In October Ralston bought a 50% interest in German feed producer Kraftfutterwerk Brand. Ralston plans to break ground on an additional Brand mill this year. Also slated for 1961 is a 50% partnership with a northern Italian feed processor.

At the annual meeting a year ago president Rowland predicted fiscal 1960 earnings "very close to" those of fiscal 1959. His prediction came true. In the year ended September 30 Ralston netted $18,000,000 or $2.76 a share, exactly two pennies more than in the previous year. However the profits gain came in the face of a 4% dip in volume to $510,000,000 and it represents the third consecutive earnings peak for the company. For the first (December) quarter of the current fiscal year Ralston expects to "practically equal" the 69¢ a share netted in the first quarter of fiscal 1960.

As in past years about 90% of sales will come from the company's animal and poultry feeds (marketed as Purina Chows), soybean oil, sanitation and farm supply products. The remainder comes from Ry-Krisp and the company's popular cereal line which includes Ralston, Wheat Chex, Rice Chex and Corn Chex.

MANUFACTURING
International Followthrough

IT IS the avowed intention of Connecticut's International Silver Company to "balance $60,000,000 of silver business with half that amount in non-silver by 1965" (IR, August 31). Based on its 1959 performance this not only would require International to boost its silv[e] lines by 20% but also to triple i[ts] non-silver business.

In the first part of December th[e] $41,000,000-assets silversmith too[k] a big step toward its goal with th[e] cash purchase of 84-year-old Eas[t]wood-Nealley Corp of Belleville, N[J]. One of the largest US manufacture[rs] of bronze and brass Fourdrini[er] wires (the web used in paper ma[k]ing) as well as cylinder and filt[er] wires, Eastwood-Nealley is expect[ed] to boost International's non-silv[er] sales in 1961 to roughly 30% of t[he] company's total. Furthermore, at [the] current rate of earnings, the n[ew] acquisition is expected to contrib[ute] over $1 a share to 1961 profits. F[or] 1960 International Silver sales ([be]fore the acquisition) are estima[ted] around $60,000,000, profits at $5 [or] so a share.

The ink was scarcely dry on [the] purchase contract when Internatio[nal] Silver noted "before the end of 19[60] we will announce another acqui[si]tion." It did. Drycor Felt Compa[ny] Inc of Staffordville, Conn was a[lso] bought for cash. It is a manufactu[rer] of industrial and papermakers' fe[lts]. This enlarges the entry into pap[er]making supplies which Internatio[nal] gained through Eastwood-Neall[ey]. It also gives the company a footh[old] as a supplier to the cement, roofi[ng], leatherboard and a number of ot[her] industries.

The two newcomers join a pair [of] other International non-silver un[its]. Eyelet Specialty which was acqui[red] in 1958 makes lipstick cases a[nd] other cosmetic containers. In 19[..] the company took over Times W[...]

Cable which turns out coaxial bles and specialty wires.

Together Eastwood-Nealley and rycor should add from $5-to-7,-00,000 to International's current lume. Thus though non-silver es are close to the desired third of tal sales International must still ild up both silver and non-silver es to achieve its $90,000,000 sales al by 1965.

ETAIL TRADE

ixing Foods and Drugs

OOD CHAINS, whose desire to capture more of the housewife's llar has led them to stock an in-easing array of non-food items, ve apparently developed a new versification technique.

In November $346,000,000-assets 3 supermarketeer Kroger Com-ny bought out Sav-On-Drugs. 1 interesting item: Sav-On's seven w Jersey and Staten Island stores e well away from the Midwest & uth operating area of Kroger's 400 stores. From Cincinnati Kro-r president Joseph B Hall states s company was picking manage-ent more than anything else, sug-sts this may be just the beginning Kroger-operated drug stores.

In mid-December this move was llowed by No 10 food chain Jewel a Company. The $109,000,000-sets, 275-store chain announced ans to enter the drug store busi-ss through acquisition of Mid-stern merchandiser Osco Drug c. In Chicago Jewel chairman anklin Jerome Lunding declared: t's a further step in our program growth through diversification."

ELECTRONICS

General Precision Scores With Components for Space And Air Traffic Control

MINDFUL OF the magic values inherent in effective teamwork, movie projectionist turned defense specialist General Precision Equipment Corp decided at the end of 1959 to consolidate its four electronic subsidiaries into one operating unit, General Precision Inc. A year later results for 1960 indicate the move was a sound one. Chairman (of both parent & offspring) James W Murray happily agrees.

Nine-month sales were up 13% and earnings 19% while "the fourth quarter will prove to be our best of the year." Thus sales for 1960 are expected to reach a record high "somewhere around $240,000,000." Earnings are predicted "in the area of $3.40 a share," the best showing in six years. This compares with the previous sales high of $216,000,000 in 1959 when earnings were $4,200,-000 or $2.63 and chiefly reflects increased demand of "GP Inc's" array of sophisticated products.

The improvement is more dramatic compared with 1958 when sales were only $168,000,000 and earnings of $300,000 fell far short of meeting the requirements of four classes of preferred and preference stock, left a 74¢ deficit for each common share. Chief problem that year: heavy losses on contracts for commercial jet simulators.

The four established divisions which comprise "GP Inc" (a company designation for the subsidiary which is not be confused with the

Big Board symbol for Graham-Paige) account for about 80% of General Precision's business. Nearly all their work is in Government contracts. The quartet includes:

- The GPL division which makes air traffic control equipment, Doppler air navigation systems, closed circuit TV and other communications systems.
- Kearfott, a specialist in precision components such as gyroscopes for military inertial guidance, navigation, attitude reference and control systems.
- Librascope which produces computers for both Government and industrial use.
- Link which makes industrial controls as well as the well known flight trainers.

The new electronics subsidiary aside, General Precision Equipment (GPE on the Big Board) makes controls for the process industries, Graflex cameras & projectors and arc lamps. Its National Theatre Supply subsidiary is a direct descendant of the company's 34-year-old original business and distributes supplies from paper towels to projector for theaters and furnishings fo motels.

Of the "GP Inc" components, Lib rascope was acquired before Wa II, GPL just after it, Kearfott an Link in the early Fifties. Abou their consolidation, 59-year-old Jin Murray notes: "For some time we' been operating with arm's lengt dealings. It was time we brough the companies together. Amon other things the rapid technologica growth of defense business calle for it." A "GP Inc" board heade by Murray and 54-year-old pres dent (also of parent and junior ou fit) Donald Winthrop Smith and i cluding the president of each div sion meets monthly "to keep eac group informed on what the othe are doing."

Strength in Coordination

One advantage of such coordin tion is General Precision's strengt ened position in bidding for co tracts. Says Jim Murray: "Sin all divisions are now in a positio to rally behind any one project th move greatly increased interest us as a prime contracto Furthermore, with its co bined resources GP I can present a far mo impressive balance she than any one division.

A second indirect ben fit may be to enhance t company's image by c ordinating division nam with that of General P cision Inc. Explains a co pany spokesman: "Becau we are so heavily in m

GPE execs Smith, Murray & Garman

ry business much of our work has ng been classified and is still relatively unknown."

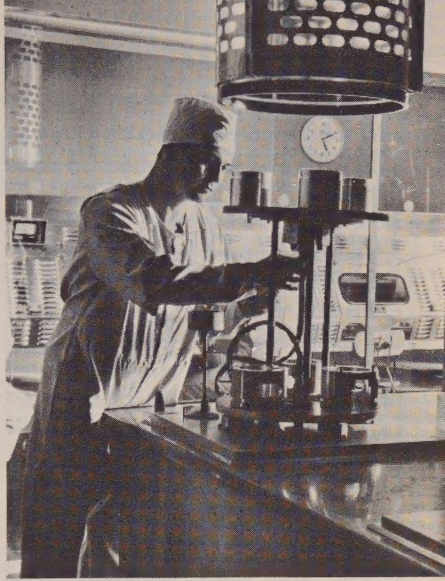
Probably the company's most publicized work in electronics involves Data Processing Central, key part of the Federal Aviation Agency's program for modernizing air traffic control. GPL division first won a contract in 1957 from the FAA to set up a developmental system, a part of which was a special Librascope computer installed in FAA's flight control experimental center near Atlantic City in early 1960. Last October GPE received its first order for airport installation of a computer to be operational in Boston by early 1962. (In the picture on page 4 engineering vp Ray Herman briefs Don Smith and Jim Murray on Data Processing Central.)

Basically, data processing centrals will provide up-to-date information on all aircraft within a given control system and assist the controller with unexpected developments, thus leaving him freer and better informed for his decision-making function.

A Nationwide System

The FAA has already announced a list of seven airports headed by New York's Idlewild which are slated to get new equipment after Boston. Washington sources estimate a nationwide system will cost 500-to-800,000,000. Jim Murray says: "We won't get all this business and probably couldn't handle it if we did, but we expect a large share."

Another important aviation product is RADAN, a Doppler navigation system developed by the GPL division for commercial application. It is already in use on business aircraft such as some Grumman Gulfstreams and a GPL spokesman reports: "We believe its first acceptance for use by a major airline is imminent." Many airlines are already customers of the Link division which has sold 20 commercial jet training simulators in the last two years.



Technician fills gyros in superclean lab

But computer specialist Librascope is General Precision's fastest growing division. Besides air traffic control computers, its products for the Government include fire-control computers for anti-submarine warfare and work on the first computer to go into a space vehicle. Librascope also does a substantial business in commercial computers sold through jointly-owned Royal Precision Corp which was formed with Royal McBee in 1955. Royal Precision has sold over 400 copies of

its first computer, the desk-size LGP-30, reportedly making it the second largest seller among US computers. Among its newest products is the RPC-9000 data processing system introduced in March. Librascope's Libratrol-1000, designed for industrial process control, went on the market in September.

Among the best growth opportunities for GPE, chairman Murray mentions the electronic components specialties of Kearfott, the largest division of "GP Inc." He states Kearfott has some type of product on every major operational missile and space program. Last April General Precision announced establishment of Kearfott Semiconductor Corp which will develop transistors and other semiconductor devices.

Management Team

As another factor in GPE growth chairman Murray frequently cites teammate Don Smith. Both men were new to their jobs in April 1959 though they are GPE veterans of nine and eight years respectively (Smith was with Kearfott for seven years before it came to GPE in 1952.). Murray was financial vp of the parent company and Smith president of Kearfott when former chairman Hermann G Place and president Edwin A Link retired. Though Murray is now chief executive officer, the two have split responsibilities for running the company and work closely together. Says Columbia-educated Murray: "I'm strictly a businessman but Smith is an engineer."

The two men have concentrated during the past year on increase o profit margins in every divisio though chairman Murray observes "We haven't done so well on this a we had hoped." Profit margins fo 1959 were around 1.9%. For 196 they will be "something over 2% and for 1961 he is hopeful abou reaching 3%. He explains: "Durin 1960 margins were held back b losses from overruns on large-sca R&D contracts for the Governmen This will sometimes happen whe bidding on cost-plus-fixed-fee typ contracts, what with the big stake involved."

A second stated aim of GPE ma agement is to increase the pe centage of civilian business to a eventual 50-50 ratio, part of whic "will likely come through merger Chairman Murray suggests "we a always looking" at acquisition pro pects though "nothing is now the fire. Some possibilities were he up this year because of changes many stock prices—ours, as yo know, held up rather well."

GPE's 1,130,000 shares of com mon stock have traded on the B Board this year between a hig of 66 and a low of 44. The curre price is 56. This year's high, whic was exceeded only by the 71 pea of 1955, climaxed a sharp clim from 27 in mid-1958. There is certain amount of leverage in th common since the four classes senior stocks have total divide requirements of $1,400,000 a ye (the equivalent of over $1 a com mon share).

One subject of a good deal speculative contemplation is miss

lder Martin Company's open-rket purchase of about 15% of E stock. Jim Murray's comment: his doesn't worry me. Martin is ood company and they recognize ood investment. Meanwhile we e not taken any initiative in deal- with the Martin people and we we are getting along very well our own."

EMICALS

ty Tale

LONG WITH children and win- ter sports enthusiasts, officers of ernational Salt Company rejoice en the world turns white. The rea-: International Salt is the largest nestic producer of rock salt, that aluable commodity for helping solve the slick accumulations of w and ice on city streets and ewalks.

About four-fifths of International es comes from rock salt and two-rds of this is sold to industry (es-ially chemists) and agriculture. e remainder is slated for snow & removal. The rock-less rest of In-national volume comes from evap-ted salt sold either as table salt der private brands and the com-y's Sterling tradename or to food d meat processors.

Since most towns stock up on k salt in the Fall, International es not realize a sales pickup until inventories dwindle. Reports asurer Mortimer B Fuller (brother company president Edward L ller): "A lot of rock salt is being ed right now and we've had some w orders but nothing startling t." He hedges: "It really depends on God when or if we'll get a pickup."

In recent years International has been troubled by foreign competition, especially from Canada. One of the biggest rock salt users, the City of New York, has "for the fifth or sixth year" ordered its rock salt from Dominican Republic suppliers. Sebolt Road Materials Company of South River, NJ won with last Fall's low bid of $13.40 a ton for Dominican salt. Both International and its largest competitor, Morton Salt Company, submitted identical bids of $14.79 a ton which immediately brought accusations of price-rigging. However Mort Fuller relates: "We haven't heard anything more since then. We publish our prices [about $9.60 a ton] plus freight charges and anyone can meet or cut that price."

International does not report interim sales but in the first nine months of 1960 profits fell 16% to $2,400,000 or $4.97 a share from $5.90. For the full year treasurer Fuller estimates earnings were "in the area of $7.50 a share." This compares with $8.83 which was earned on record sales of $31,200,-000 in 1959.

In view of the anticipated lower results, in November International cut its year-end extra by one-third to 50¢. Treasurer Fuller maintains "we have no basic dividend rate" but since 1958 the company has paid $1 quarterly. On the Big Board the 480,000 International Salt shares reflect the not-too-tangy outlook. They currently trade at 98, down from the 1960 high of 139 and only seven points above the low.

METALS

Brush Beryllium Finds Postwar Glamor In Little Known Metal

THE DAY the Big Board remained boarded shut for an extra hour, the first time since 1934, and tens of thousands of New Yorkers never did make it to work, a goodly crowd of 130 braved frostbitten toes and snow-buried sidewalks to lunch at the New York Security Analysts. Their purpose was to hear Brush Beryllium Company president George Sergei Mikhalapov who mainly discussed the prospects of beryllium, one of the little known metals which has won a glamor reputation in the postwar world, and briefly told of the operations of the company he heads.

George Mikhalapov had far-ranging experience to draw on. Born in Kiev 54 years ago, he garnered an MIT electrical engineering degree at 20, then worked for Stone & Webster, some other engineering firms and the Government where he supervised War Metallurgy research. Later he became engineering manager of GE's Knolls Atomic Power Lab, took over the presidency of Jersey's Cast Metals Inc and moved to Brush as executive vp in 1957. Two years later he stepped up to the presidency.

Engineer Mikhalapov noted although beryllium has been used as an alloying agent for several decades, the industry's dramatic development over the past few years was due to the pressing need for new and more versatile materials.

As a pure element beryllium is the lightest metal known and ha the highest known strength-to-weigh ratio. It retains full strength a temperatures up to 1500°F, twic the heat tolerated by aluminum Beryllium is used in atomic reactor as a moderator and reflector; i property of absorbing few neutron gives it a decided advantage in fu conservation and neutron econom

Beryllium also has ideal qualifi cations for application in aircraf missile and space fields. But ther are also problems. Of paramou concern are high cost, stiffness lack of ductility and ore suppl George Mikhalapov reported fourth problem, high toxicity, h been pretty well mastered throug controls which prevent the spre of beryllium dust in the air.

As for cost, vacuum-cast ber lium sells for about $50 a poun The metal cannot be used in th form however and must be exte sively processed which brings t actual cost a pound of finish beryllium to an average of $150.

Lower Cost Hopes

But the Brush boss cited hopes f improvement. Until recently co mercial beryllium was found only the form of beryl, a highly refracto ore (ie difficult to break down und heat or chemical attack). It requir around twenty costly steps from c to metal. Now, president Mikh apov reported, promising possib ties have opened up of extra ing beryllium from other miner which have been found extensive through North America. Presid Mikhalapov expressed confiden "this will lead ultimately to a su

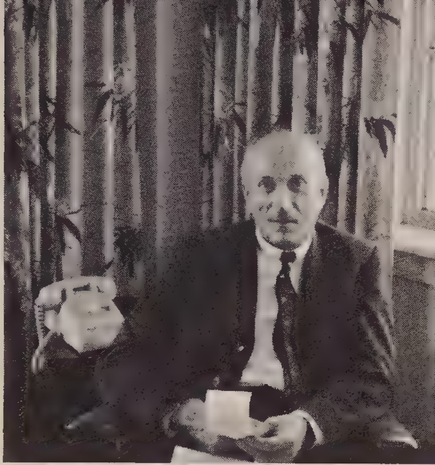
antial price cut, possibly to $50-to-) a pound of fabricated beryllium the present $150."

George Mikhalapov conceded beryllium has the greatest stiffness r rigidity of all known materials, bout six times as stiff as aluminum." Chances of increasing ductility are slim but there are "many otential new applications for which resent ductility is adequate." The rimary obstacle is psychological: to ersuade reluctant designers to experiment with the metal and change ccustomed methods of designing.

If use can be stepped up, supply ust be too. Notes president Mikalapov: "While the present exoration program and recent disoveries in this country may not rovide the full solution to the uestion of supply, recent developents are encouraging." Brush easurer David H Hershberger says ineral deposits in the Topaz Mounin area of Utah are thought to ontain a twelve-year supply of beyllium.

These were discovered last year y Beryllium Resources Inc, a unit ointly owned by Brush, Atlas orp's Hidden Splendor Mining and ederal Resources Corp. There are lso promising indications of deosits in Labrador, Mexico, Alaska, evada and Oregon.

George Mikhalapov hopes in four r five years all ore requirements an be obtained from North American sources, thus relieving dependnce of domestic producers on forign sources of the ore. The industry sed an estimated 6,000 tons of ore 1959 and around 8-to-9,000 tons



Brush president Mikhalapov

in 1960, virtually all from foreign sources.

Meantime $30,000,000-assets Brush is cognizant of an ever-present threat to a small company: possible future expansion of other and larger corporations into beryllium which could "sweep the fruit from under" the two outfits (Brush and Beryllium Corp of America) presently in the field.

Consequently Brush decided last year to expand its facilities, even beyond the foreseeable future. By the end of 1961 president Mikhalapov expects to more than double capacity so Brush could process a potential $40-to-50,000,000 in annual volume *v* the $18,000,000 actually sold in 1959 and $29,000,000 estimated in 1960.

Brush earned 80¢ a share in the first nine months of 1960 *v* 69¢ the year before. But George Mikhalapov was very coy about any further comment, said only "we expect a slight decline for the [full] second half from the first half level of 61¢ a share." But he attributed the

decline to heavy expansion which skyrocketed capital expenditures to \$6-to-7,000,000 in 1960, more than double 1959.

George Mikhalapov also considered it too early to estimate 1961 results. However sales in the first six months of 1961 are expected to parallel last year and the second half could be considerably higher if hoped-for demand materializes.

From 1955 to 1959 Brush sales quadrupled while earnings multiplied twelve-fold. Rapid growth however has been achieved at the cost of considerable dilution which is expected to continue for some time. From June 1956 to mid-August 1960 debt rose from \$300,000 to \$6,000,000 and common shares outstanding almost tripled. Consequently earnings a share rose only five-fold in 1955-59. No dividend payments are in sight at least until the high rate of expansion has been completed.

This however has not discouraged a rise in the 1,900,000 common shares (there is no preferred) which were quoted around 54 over-the-counter last week. This is almost double the 1960 low and six times the 1959 low.

WALL STREET
An Advance in Equity

IN ADDITION to watching the price of their stock in the daily tables, stockholders of closed-end investment companies generally keep a watchful eye on the figure known as net asset value. This tells them how successful their company is with its investments. Thus in a recent report investors in Equity Corp were pleased to read the company's net asset value as of September 30 had jumped to \$6.94 a common share as compared with \$5.66 a year earlier. Correspondingly, total assets were up to \$61,700,000 from \$49,500,000.

Behind this rise is the sharp appreciation in two of Equity's favorite holdings—its first and third largest. Largest is 178,000 shares of West Coast calculator maker Friden Inc. Quoted at 35 (adjusted for a 3-for-1 split) on September 30 the Friden investment had just about doubled in value during the year, now trades around 45.

The other star performer was Dutch electric giant Philips Lamp. Equity owns 58,000 shares of 50-florin stock which had climbed to 161 last September 30 from 84 the year before, now trade around 153.

Equity's No 2 holding is Bell Intercontinental (formerly Bell Aircraft) which recently sold its defense business to Textron for \$24,700,000. Equity owns 1,350,000 shares or just over 50% of Bell Intercontinental. In the September report the Bell stock was carried at 12⅞ a share *v* 15 the year before. It currently trades around 12.

As with many closed-end investment companies Equity stock sells at a discount from its net asset value. On the American Stock Exchange it trades around 4⅛ or a 40% discount from its September 30 net asset value. Ahead of its 7,860,000 common shares Equity has 142,000 shares of \$2 convertible preferred outstanding which trade around 47, also on the Amex.

CREATION

mmond Fete

N THE completion of its silver anniversary year as an organ ilder the 33-year-old Hammond gan Company of Chicago can k back on a proud record. Originly a maker of electric clocks, the ion's leader in electric & electnic organs has ground out a profevery year since it introduced its t music maker in 1935. Moreover has paid uninterrupted dividends ce 1936.

n the past decade the increases in rsonal income and leisure time ve helped to more than triple sales a record $36,000,000 in the year ich ended March 31. Net income, o a record, soared to $6,200,000 $2.06 a share from $1.43 in 58/59 and 62¢ ten years ago.

In 1959/60 Hammond was aided sales from two new organs. At the ttom of its line it added the lowced Extravoice which sells for ly $895. It also introduced a selfntained Home model at $2,800. ese brought the Hammond line to ven basic models which range m the Extravoice to the deluxe ,700 Concert for use in large mes, small churches, restaurants.

These Hammond organs have ayed a cheerful profit tune. Trearer Robert H Nelson notes "in cent years our pre-tax margins ve averaged better than 30%." ammond has achieved this witht a single price increase in the last cade. Bob Nelson asserts: "There nothing else on the market like at." Incidentally, he reveals: There isn't a single organist among top Hammond management."

Hammond does not report interim sales but Bob Nelson notes volume through September was "a new record." Unfortunately though, "we, like a lot of other people, were looking at 1960 through pink glasses and were geared to a high level potential." With business not booming to the extent expected "plus added costs," income for the half year dropped to 81¢ a share from 84¢.

Treasurer Nelson notes similar problems in the second half of 1960/61. Hence profits are figured somewhat below fiscal 1959/60. Wall Streeters look for about $1.90-to-$2 a share *v* 1959/60's $2.06.

Along with the market the 3,000,000 Hammond shares have dropped sharply from the alltime high of 47¼ posted on the Big Board last summer. Split 2-for-1 in June the stock now trades nine points above 1960's adjusted low of 26⅜.

Consistently generous to its 4,700

Family fun with Hammond

stockholders, Hammond averages a 70% dividend payout. Including extras in March and December atop the 25¢ regular quarterly rate (50¢ before the split), the company paid out $1.37½¢ a present share in each of the past two years. As for the next extra Bob Nelson hedges: "It is awfully hard to say what the directors will do at the February meeting. But a look at our history shows dividends are pretty secure unless something very peculiar happens."

Harmonious Future

He is more definite about Hammond's 1961/62 outlook. "It's going to be good. Our retail sales continue to run well ahead of last year and our factory sales are now picking up." He is also confident about the longer future because the market is still far from saturated. Only 500,000 households or 1% of all US homes have an organ.

However competition is increasing. Treasurer Nelson states: "In the early years we had 100% of the market and now we have about 40%. In the last three or four years we've had very tough competition." It comes from such outfits as Baldwin, CG Conn, Chicago Musical, Wurlitzer plus many smaller manufacturers. It is also rumored Magnavox will enter the field sometime next year. Bob Nelson is not worried: "More competition will just shake out the marginal producers."

Hammond plans to "keep on its toes." To help broaden its distribution from its current base of 300 dealers in 500 cities, the company in October announced it would lend up to 200% of the initial capital put up by "qualified prospectiv applicants."

In addition to domestic market Hammond sells in 60 foreign coun tries, is working on a plan to licens its British and West German distri butors to assemble Hammond organ abroad. "It looks like this will en able them to sell at a lower price i their highly competitive markets."

Hammond is also beginning othe musical ventures. Late in 1959 brought out a low-priced reverbera tion unit for stereo record player which it sells to almost all the lead ing stereo makers. Describes Bo Nelson: "The reverberation uni will give a concert hall effect i a living room." It was "an offsho of a unit we've had in our organs f years. Our position is if we develo anything internally with potentia we'll market it even if it is outsi the musical instrument field."

Externally, "we've been studyi acquisitions outside the musical bu iness for two or three years." B so far "nothing is to our liking."

UTILITIES

Everything Golden

WESTERN CHEER was broug to their Eastern friends by Por land-based Pacific Power & Lig Company just before Christmas at gathering in New York's Harbo View Club at ultra-modern 2 Broa way (the building which served movie set for elevator operator Shi ley McLaine & friends in *The Apar ment*). Amidst the clink of glasses, trio which among its selectio played a musical tribute to Wy ming composed by Pacific Power

eorge Mackenzie and various impressive displays of the company's ve-state service area, guests were so treated to samples of Washington's delicious golden-colored apples nd mellow cheese.

Pacific stockholders are also in or their share of goodies when they pen their dividend envelopes on the nth of this month. As a climax to e company's golden anniversary ear directors in December voted to oost the dividend 10%-plus to 5¢ quarterly from 40¢. This as the first hike in four years and acific's distinguished chairman aul B McKee explained management had "felt it prudent and conservative not to increase the dividend throughout the period of active evelopment and construction" uner way since 1957.

High-powered Pacific Power has een rapidly expanding even longer. During the last decade the company as raised almost $300,000,000 of apital. Much of this has been used o add the extra electric generating apacity needed "to provide for load rowth and to assure continuity of ervice to customers." During the ecade Pacific boosted generating apacity from 231,000 kw in 1950 to 79,000 kw currently. A 100,000 kw team generator went into service ust last month at Glen Rock, Wyo. It will double Pacific's Wyoming roduction capacity and help it erve such hungry customers as US Steel's taconite ore facilities in the western part of the state. President Donald R McClung says construction expenditures for 1960 were $29,000,000. The 1961 budget calls for an estimated $28,600,000 while the 1962 figure will be hiked to $32,000,000.

About 96% of Pacific revenues comes from electricity. The remainder is in telephone, water and steam heating services. The company is the largest electric utility in the Pacific Northwest with 323,000 customers in Washington, Oregon, Idaho, Montana and as far east as Wyoming.

For the year just ended chairman McKee and president McClung estimate revenues around $63,000,000 against $57,800,000 in 1959. Profits are figured around $2.35 a share *v* $1.88 in 1959. This makes it the second best year in company history, topped only by 1958 when profits came to $2.40 a share. In the over-the-counter market the company's 4,400,000 shares of common stock now trade around 42 or roughly 18 times projected 1960 profits.

Merger Murmur

When asked about a recent proposal to take over California Oregon Power Company, Paul McKee (who started his utility career with California Oregon) declared such a merger would be beneficial to both companies and to the area. However he emphasized: "It is still in the talking stage and is not a sure thing." Also since a merger would require the approval of five state commissions and the FPC such an action would be a long time coming.

Meantime the hardy 69-year-old chairman abides by his philosophy of "don't run, battle any problems out" which has managed to produce a score of successes for Pacific Power & Light.

City Products Prospers in Merchandising

Diversified Ice Company Takes on Butler Bros, Expands Variety Trade

THIS IS A YEAR of major developments for a $142,000,000-assets Chicago company with the somewhat enigmatic name of City Products Corp. A 66-year veteran in the distribution of ice and fuel, the company has chosen the acquisition route to become a coast-to-coast merchant.

Biggest step in this direction was the February purchase of the assets of Butler Bros, a nationwide operator of variety and department stores. Says City Products chairman William J Sinek: "We had substantial cash on hand and wanted to employ it profitably by acquiring a successful business with experienced management and sizable growth possibilities." The move also furthers a diversification program which has been carried on for several years.

Chief of Staff

To strengthen its close relationship with its new division City Products made former Butler president Albert O Steffy (originally a Montgomery Ward vp) its own president and chief executive. It also changed from a March to a December year which is better suited to merchandising. Then last November City Products revealed a further step in its new field by announcing purchase of the Herst-Allen Company of Chicago, a supplier of non-food merchandise to supermarkets.

Though Herst-Allen with $15,000,000 sales is small in comparison to the total Butler Bros volume of $200,000,000 it enables City Products to enter a fast growing segment of the retail field. Comments Bill Sinek: "The effectiveness of selling general merchandise through supermarket chains has been apparent to us. Furthermore, we feel the experience and broad range of merchandising knowledge inherent in Butler Brothers cannot but help in the overall future growth of Herst-Allen." Last year non-food sales in food stores came to $2 billion as compared with total sales by variety chain stores of $3 billion.

Ten-year-old Herst-Allen whose 1960 sales will be nearly four times those of 1955 distributes and services over 2,500 items such as housewares, toys, records and stationery to 1,500 supermarkets. Herst-Allen customers include both national and regional food store outlets operating in a six-state area centered in Illinois.

Like Butler Bros, Herst-Allen will operate as a separate City Products division with no immediate change in personnel or policies. "It is running soundly as it is and will retain its corporate identity," volunteers chairman Sinek.

Butler Bros is the largest City Products division and has four merchandising operations. Biggest and most profitable is Ben Franklin which supplies more than 2,400 franchised stores, the country's longest string of variety retailers. These are located in every state but Nevada

are served by distribution cen- in Baltimore, Chicago, Dallas, sas City, Los Angeles, Memphis Minneapolis. A $1,000,000 cen- near Akron will open in March a new, enlarged center will re- e the present one in Los Angeles, in early 1961.

Specialized Aids

ach store is locally owned & rated but the typical "Ben Frank- gets an average 80% of its chandise plus promotion aids, e operation and control pro- ures and supervision by regional cialists from Butler Bros. Store- pers are not required to buy n Butler but receive a cash re- along with other operating bene- when they do. City Products es- ates sales to Ben Franklin stores the full year should exceed $130,- ,000 compared to the previous 1 of $120,000,000 for 1959. Re- volume of the Ben Franklin ts came to more than $200,000,- for 1960.

he other three Butler operations company-owned. These include Scott variety stores in the Mid- t with around $16,500,000 an- l retail sales, 218 "T G & Y" (in- ls of its three founders) stores h sales near $43,000,000 and en Butler Bros department stores Los Angeles, Seattle and Butte h annual sales slightly over $20,-),000.

In 1960 the four Butler divi- ns completed a vigorous expan- n the day after Thanksgiving and t in time for holiday buying. sides 113 new Ben Franklin res Butler added nine stores to Scott and 45 to T G & Y. During the same period it closed or sold ten company-owned stores (two Scott and eight T G & Y) and terminated franchise agreements of 114 Ben Franklin stores. About the Ben Franklin outlets chairman Sinek says: "The 113 new units in place of 114 old were more than an even exchange. This is because many of the stores we closed lacked opportunity for growth consistent with Butler's future targets for profitability."

Butler Bros also brought to City Products a record of rising sales and earnings. From 1955 through 1959

Variety of toys at Ben Franklin Store

sales increased from $114,900,000 to $196,600,000, registering an average annual increase of 14%. Profits were subdued by smaller margins but nonetheless climbed from $2,500,000 to $3,500,000 at an annual average rate of 9%. Continuing expansion as part of the City Products family, Butler reported sales through November at a record high of $191,300,000 which was 9.6% over the corresponding 1959 period.

Diversification Not New

Though retail store operation is new to City Products diversification is old stuff. In fact in 1949 it changed its name from City Ice & Fuel to better describe "diversified activities."

Among its non-merchandising activities City Products is the country's leading distributor of ice refrigeration for rail cars. It operates vacuum pre-cooling facilities and cold storage warehouses for the food industry, sells ice for industrial, commercial and domestic uses.

It also distributes dairy products in eleven states through its Midwest dairy division of Memphis and beer through its local breweries in Cleveland and New Orleans. A Miami brewery was sold to Anheuser-Busch in 1958; the Premier Oil Refining Company of Texas was sold in 1959.

Together the ice, dairy and brewing divisions produced sales of $79,000,000 in 1959. This is down from their peak of $101,000,000 in 1957. For 1960 Bill Sinek reports weather and rail strikes have depressed the ice business but the dairy and breweries have shown a slight improv ment.

But now these operations are ove shadowed by the new arrivals. Sa Bill Sinek in his nine-month repo to stockholders: "A prepondera percentage of revenues and profi are now derived from our growi nationwide merchandising oper tions." Sales, counting Butler Br for eight months, totaled $191,20 000 and earnings were $3,500,0 or $2.61 a share, 9.1% ahead last year.

Chairman Sinek is hopeful f the fourth quarter "which shou account for about 40% of business This would indicate earnings for t full year in the neighborhood $4-to-4.25 a share. Total sales f 1960 are forecast just under $27 000,000.

The 1,300,000 City Produc shares are listed on the Big Boar reached their alltime high of 57 1959. At press time they were thr points above 1960's low of 42. T company has a lengthy divider record with unbroken paymen since 1893. The current 65¢ qua terly dividend gives a yield of near 6%.

Shareholders have benefited fro generous payments averaging 72 of earnings in the five years throu 1959. Chairman Sinek assures t present payment is well protected earnings though he comments "th is a higher rate than is genera considered normal for the mercha dising business."

But he hastens to add: "No chan in the company's dividend policy contemplated."

Diversification At General Instrument

Energetic Management Team Focuses on New Electronic Currents

'TWAS THE WEEK before Christmas and all through those hectic seven days executives of General Instrument Corp were in a suite at Manhattan's Essex House for their annual week-long series of meetings. On December 19, two and a half months before the close of the company's current fiscal year, president Moses (Monty) Shapiro, vice chairman Monte Cohen, executive vp J Gerald Mayer along with the comptroller and budget director began meeting separately with each of the firm's eight divisional heads to criticize and/or consent to forecasts for the year to end February 1962. These estimates "which rarely get through on the first try" will be revised by January 15 and blended into one "finished forecast" by the month's end.

Each division operates autonomously and president Shapiro feels this procedure along with succeeding quarterly updates "gives us a good idea of where we are going," thus easing a real decentralization bugaboo of "men just floating in air."

Diversification first came to General Instrument in 1955 when it merged with Automatic Manufacturing of Newark, a leading producer of IF (intermediate frequency) transformers patented under the "K-Trans" name. It was through this merger that present chairman Martin Henry (Mike) Benedek and lawyer Monty Shapiro joined General.

When Hungarian-born Mike Benedek exchanged his Automatic Manufacturing presidency for the General Instrument chairmanship in 1955, he already had 35 years of electronics experience and a few successful inventions under his belt. In fact he was one of the founders of Automatic Manufacturing.

By contrast native New Yorker Monty Shapiro chose a roundabout route into electronics. Armed with an LLB (1932) from St Lawrence he spent 20 years as an industrial relations and management consultant. During the Thirties he became nationally known as a Government and industrial labor arbitrator. After War II he served as industrial relations counsel to the Electronics Manufacturers Association. In 1952 he gave up his law practice to become administrative vp of Automatic Manufacturing. He was made executive vp the following year and joined General in the same position when the two companies merged. Then in June of this year 50-year-old Monty Shapiro was named to his present post.

Five-Year Program

The aggressive management team embarked on a five-year diversification program to reduce the company's total reliance on the erratic sales of the TV and radio industry. In a strategic move to erase the red spots from General's "checkered history," the electronics firm entered the young semiconductor field in 1955 with the production of silicon recti-

Check on solid tantalum capacitors

fiers. Two years later acquisition of Radio Receptor of Brooklyn added germanium diodes. Production of silicon diodes followed shortly while union with rapidly growing General Transistor Corp last September added a full line of drift, germanium alloy and "second generation" transistors.

President Shapiro says "we are now the only company in the trade that offers both highly advanced 'second generation' transistors—silicon mesa and MADT which means micro-alloy-diffused transistors [licensed from Philco]."

In less than six years semiconductors have become General's "single most important line." Monty Shapiro reminisces: "We started the semiconductor business in Newark with three scientists and two girl technicians. At the present time the semiconductor division has over 2,500 employes and about 350,000 square feet of space including Transistor's operations at Woonsocket, RI, Jamaica and Hicksville, LI.

Monty Shapiro admits the semiconductor industry is currently going through its "chicken pox and measles period" with a rash of ups & downs beginning to show. Nevertheless he confidently predicts General's semiconductor sales will contribute about 35% to sales this year and 40% in the 1962 fiscal year.

General is also busily pursuing the military end equipment aspect of the electronics industry with such items expected to bring in 25% of sales this year. While subsidiary Micamold Electronics (acquired in 1956) sells many of its capacitors to the entertainment trade, it is also engaged in the production of dry slug-tantalum capacitors (see picture) for missile guidance systems and other military jobs requiring miniaturization.

Below the Surface

General's interest in ASW (antisubmarine warfare) prompted purchase in June 1959 of Harris Transducer, a manufacturer of transducers and other acoustical devices for underwater sound detection. Harris works with the new ASW lab in Boston and General hopes to use its subsidiary's technological capabilities "as a springboard" to get into the manufacture of ASW systems.

Other military products of General's defense & electronic products group include IFF (identification of friend or foe aircraft), secondary radar including beacons, communi-

ions equipment and meteorolog-
il instruments. Executive vice
sident Gerry Mayer says of the
itary R&D conducted at the Ad-
nced Development Lab at West-
y, LI: "Our objective is to ob-
n a level pre-tax profit margin of
o-7% instead of the 3-to-4% usu-
y found in this type of work."

The Seebeck Effect

In 1959 General established a all thermoelectric division to de- op devices without moving parts generate electricity directly from heat source (scientifically known the Seebeck effect). Monty Sha- o notes: "We know where we're ing in this new exciting field. We e concentrating on thermoelectric nerators in communications for ojects like remote unmanned ather stations." To date five R&D ntracts have been awarded to this vision by Federal agencies for velopment of thermoelectric gen- ators with various unique appli- tions. Within 18 months this divi- n has become self-supporting and s expanded three-fold.

In its search for "well organized, illiantly staffed scientific groups," neral purchased a 30% interest in aterials Research in October 1960. neral has done business with the tle company for two years. It spe- alizes in metallurgical and elec- nic materials research and Mike nedek predicts "it will make a al contribution to General Instru- ent, far beyond measurement in llars."

Although semiconductor sales, ilitary activities and other diversi- ation moves have reduced General's dependence on entertainment components from 86% in 1955 to 35% today, the company still supplies one of the broadest lines of radio, phonograph and TV set components. Despite the downturn in total TV set production from 7,300,000 units in 1956 to about 5,700,000 this year, dollar sales of General's entertainment components have continued to increase. While these are typically low-profit products, affable Monty Shapiro reasons: "Since we're making some money out of it, we'd be crazy to get out and lose our leading position in this industry."

Guided by hard-hitting management, sales and earnings of the $38,000,000-assets company have zoomed in the past five years. In 1954/5 the company reported sales of $22,800,000 with losses of $412,000. Sales by 1959/60 had rocketed to $56,200,000 while profits reached $2,100,000 or $1.37 a share. On a pro forma basis including General Transistor, volume for fiscal 1959/60

Lawyer-trained Shapiro

would have added up to $66,000,-000. However with 900,000 more shares outstanding profits would have come to only $1.25 a share.

The market for the 2,400,000 common shares (about 30% management held) has moved sharply in this five year period. Big Board-traded GRL (ticker symbol) fell from 13 in 1955 to an alltime low of 4 in 1957 only to shoot steadily upwards to 50 in 1960. In line with other electronics stocks, GRL has eased, now trades around 43.

As a result of thorough management meetings like the series just held in New York, president Shapiro can pinpoint GRL projections for the next few fiscal years. Sales for the year ending February are spotted at $77,000,000 with earnings based on a 9% pre-tax profit margin placed around $1.40 a share. By 1963/4 the ebullient president predicts sales of $135,000,000 or more. Earnings are expected to climb to about $3 a share on a pre-tax profit margin of 11% three years hence.

General takes another look in its crystal ball and sees greatest growth taking place in semiconductors, thermoelectrics and military operations. President Shapiro is completely aware the potential in the industry is an open invitation to more competitors—both domestic and foreign. But he feels his company is comfortably entrenched and any newcomers must set a torrid pace. He adds: "The first five years were much harder to predict than the next three. There was much more to do then but we still have lots to accomplish."

WE HEAR FROM . . .

. . . German Mail Meter

NEW YORK

GENTLEMEN:

In the November 23 edition of INVESTOR'S READER under "Pitney-Bowes Takes A Bow," you mention Telefunken of Germany. This is incorrect. We would like to inform you that it is not Telefunken [radio Manufacturer] but Tele-Norm Corporation and that Tele-Norm is not from Germany but is a company incorporated in the State of Delaware.

Very truly yours,
MARK GOROFF,
Account Executive
The Roy Bernard Company, Inc.

IR apologizes for its evident telefunk. The postage meter is produced by Telefonbau & Normalzeit GmbH (Telephone Construction & Normal Time Ltd) of Frankfurt whose US distributing subsidiary is Tele-Norm with a home of legal record in the popular corporation State of Delaware.—*Ed.*

Northwest in Midwest

PACIFIC PALISADES, CAL

GENTLEMEN:

In your "new listings" story in the December 7 issue you list Northwestern Steel & Wire Company as "No 19 Steel producer, mostly in NW." Northwestern Steel & Wire is located in Sterling, Illinois. The only steel they sell in the Northwest is a tiny amount [through a manufacturer's representative].

Very truly yours,
RAYMOND J SANDERS

This typo slipped past printers and proofreaders until reader Sanders spotted it. In the abbreviated style required in the new listings table Northwestern should have been identified as "active in MW," not "NW" since roughly two-thirds of its production is delivered in the Midwest.—*Ed.*

orgia-Pacific Integrates Its Forests

Company Increases Timber Holdings, Uses All, Including Bark

PPROPRIATELY enough the New York executive headquart- of forest specialist Georgia-Pa- Corp are carpeted in grass en. And the executive board of $300,000,000-assets company ts at a 16-foot table hewn from 250-year-old giant redwood in a n decorated with ceiling-high to murals of Georgia-Pacific- ed California Sequoias (some high as 350 feet). In this 37th r Park Avenue tree house chair- Owen Cheatham last week re- ved operations at timber-built rgia-Pacific.

orester Cheatham noted: "The le key to our company is under- ding our vast timber holdings. this business with the price of ber always on the rise you can't a factor in the industry over the g term unless you own your own s. The risks involved in not own- timber far outreach the risks of nership." One inlaid advan- e: "From ownership comes great ibility." Chairman Cheatham ls: "When economic conditions good, you may harvest higher t timber—when the economy is ressed you may harvest your er cost timber. With ownership timberlands a company has much ater independence of the cycli- swings in the building trade."

For example, if the market for est products is extensive and ces high as in a year of strong building activity, Georgia-Pacific may fall back on its own timber lands for a greater portion of its raw material needs. For its large Western operations the company currently supplies about 70% of its log requirements and buys the remaining 30% on the open market. Prior to 1951 when the company began its acquisition of its present timber holdings, it purchased most of its requirements on the open market.

Georgia-Pacific can now call 1,000,000 acres of prime forestland its own. To develop it to the fullest, the company pursues a program which chairman Cheatham calls "dynamic conservation." It increases its timber by growing more; through advanced scientific forestry techniques it also gets constantly more out of each tree.

Replacing Resource

Thus once trees are harvested a company forestry team burns the remaining debris and prepares a new seed bed; then through selective seeding (seed cones are collected and the laboratory chooses the large healthy seeds for reseeding) a new forest is planted. Once such a program is established "the forests operate on a continual yield basis; timber is the only natural resource which continuously replaces itself."

To bring its domain to the million-acre level, Georgia-Pacific acquired Pilot Rock Lumber Company in September and W M Ritter Lumber Company in October. Pilot Rock brought in 100,000 acres of

Worker sorts thin sheet plywood veneer

Ponderosa pine in Pendleton, Ore, Ritter some 300,000 acres of Appalachian hardwood in Virginia and West Virginia. The company which Owen Cheatham founded in Augusta, Ga in 1927 has also managed no less than eight other timber acquisitions in the past five years.

Other Resources

Ritter Lumber also adds land rich in natural gas and metallurgical coal. Chairman Cheatham specifies: "There are 191 natural gas wells plus proven coal deposits." He adds: "There have been some oil drilling operations but nothing like a gusher." Should Georgia-Pacific be lucky enough to uncover a strong producing oil well, "we'll develop it."

But its sprawling forest operation is Georgia-Pacific's prime business. This includes managing and harvesting the timber, converting it into a wide line of manufactured products and distributing the products at home and abroad through its 70 domestic sales & distribution warehouses and sales outlets in 43 countries. Interestingly enough Georgia-Pacific sel overseas a substanti volume of wood fib products other tha plywood; for examp logs, lumber, paper containerboard an redwood specialties.

The bulk of Georgi Pacific sales com from domestic man facturing operations l cated mainly in the P cific Northwest, nort ern California and eight Southern states (the most i portant: Georgia, West Virgin North Carolina).

About 40% of sales are in p wood products which range fr standard plywood to speciali items such as marine plywood, pl tic-faced plywood, concrete fo and decorative pre-finished ha wood plywoods; 25% in lum products like flooring, siding, w paneling and lumber for resident as well as heavy construction; 7 in redwood; the remaining 28% hardboard, particle board, paper paper products, chemicals and sp cialty products.

Georgia-Pacific first entered p per production two years ago wh it built its Toledo, Ore paper & co tainer board plant. It has since creased its paper production ca city 140% to 600 tons daily. C rently paper & paper products count for some 6% of compa sales. Chairman Cheatham in cates "paper is an area which will expanded at Georgia-Pacific." T first step is a converting plant

ke corrugated boxes at Olympia, sh due for completion early in 1. After that is slated a paper & tainer board mill, to be located r Eureka-Samoa, Cal.

still more recent field at Geor-Pacific is chemicals. In 1959 the npany built a large pilot chemi- plant in Portland, Ore keyed to bark and wood wastes (for-rly burned) in production of sul- and cyanide chemicals and sts. The process is patented by corporation. The company also rates another chemical plant ich produces certain types of ad-ives and glues for use in the nufacture of plywood.

Georgia-Pacific interest in such v fields, chairman Cheatham ex-ins, "is a trend toward a more erse product line with more fit stability." But he is quick to l "this trend toward more diver-cation is not entirely in new ds. With new processes for mak- plywood and more uses for it, expect demand for plywood uld double by 1970. At present feel the market has just been atched."

Along with a more diverse prod- line Georgia-Pacific has been rd at work further integrating est operations. In the past six ars the company spent $78,000,-0 for plant expansion and new nt construction. This includes paper & paperboard facilities at ledo, plywood plants at Samoa-reka, Cal, Springfield and Coos y, Ore, the chemical pilot plant at rtland and a plant for making ber-Ply also at Springfield, as well as additional expansion of distribution warehouse branches.

Georgia-Pacific forecasts capital expenditures this year will be greatly reduced. The completion of a containerboard converting plant and further additions to distribution facilities are the only projects scheduled. Chairman Cheatham comments: "Soon we will have one of the finest integrated forest operations. We are aiming at using every splinter of our trees from the outer bark to the lignin and cellulose fiber."

Threefold Research

Behind Georgia-Pacific integration is its threefold research program. Its objectives are: 1) to make maximum use of each tree for maximum profit; 2) to create new products and consumer demand; 3) to improve the growth and yield of Georgia-Pacific timberlands through scientific study and advanced forestry technique. The company has harvesting plans projected until the year 2020 when "through its reforestation programs the timberland will contain more timber than it now holds." But this future surplus does not preclude Georgia-Pacific from buying still more timberland "if the right tract becomes available—one with high grade trees close to our main manufacturing facilities and of course at the right price."

Acquisition of timber and timberlands has been accomplished primarily through the use of long-term debt with the retirement geared to the harvest of the timber. On the other hand plant facilities are mainly

financed through equity. Under this program the company had $126,-500,000 of long-term debt last June 30.

Although this is large in relation to net worth, cash flow generated from earnings, depreciation and depletion charges has been more than adequate to permit the company to prepay much of its debt well ahead of schedule. Chairman Cheatham declares enthusiastically: "There is a great advantage in financing through timber. The banks are willing to advance money on high-grade, well-located trees." The latest acquisition to be financed through timber loans is Pilot Rock. The purchase price was $11,500,-000, of which $10,500,000 was borrowed from the banks and is payable over 20 years on a self-liquidating basis geared to the timber harvest.

Georgia-Pacific's timberlands, its integrated production operations and its diversity of products have made up a most successful financial combination. In 1956 sales showed a marked increase with the acquisitions of Coos Bay and Hammond Lumber. Subsequent acquisitions of timber and production facilities plus internal growth brought sales to 1959's record $192,000,000, more than double 1955.

Profits made a good postwa
showing through 1952 as a result o
good building years and the Korea
War but in 1953 and 1954 droppe
off somewhat as the economy fel
back. With the expansion and inte
gration programs under way afte
1955, earnings once more rebound
ed and have been rising ever sinc
to the 1959 record of $14,100,00
($2.58).

After nine months of 1960, sale
were up 17% to $164,500,000 an
earnings 6% to $12,000,000. Bu
a series of 1% quarterly stock di
vidends (not adjusted for by com
pany and most Wall Street statisti
cians) left earnings at $2.10 a shar
v $2.15 on fewer shares the yea
before.

Wall Streeters look for full yea
earnings of around $2.70 a shar
Georgia-Pacific's 5,600,000 share
of common have begun to refle
these bright sales and earnings pro
pects. The stock trades on the NYS
at 53, eleven points above the 196
61 low though still eight points b
low the alltime high of 61 score
earlier in 1960.

Looking further ahead into 196
Georgia-Pacific will be using i
added timberlands and manufa
turing facilities to strive for sal
and earnings to outdo record 195
and expected 1960 results.

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STOCKING TALE

Meet Rosamond, Olivia, Heather and other members of professional illustrator Donald Branham's "way-out" clan. At the end of this month they will begin to appear in a series of newspaper and magazine ads to proclaim that "every fashion needs a stocking all its own." Sponsor of the way-outers is No 1 chemist E I duPont de Nemours which hopes to boost its nylon yarn sales by creating a fashion demand for tinted & textured nylon stockings, especially in the barelegged spring & summer months. Though duPont has promoted tinted stockings for three years, it hopes this fresh approach will win many new year-round converts. DuPont is of course also a leader in such other synthetic fibers as Orlon and Dacron, sells almost 30% of its total output to textilers.

While total 1960 sales are figured a little over 2% ahead of 1959 at a record $2.2 billion treasurer Russell Pippin estimates earnings between $8.20 and $8.45 a share, down from 1959's $8.92 (GM dividends contributed $2.54 a share each year). The profits squeeze is credited to chemical industry overcapacity and price cutting as well as rising costs and increased imports. DuPont sees "no significant upturn in demand before the third quarter of next year."

However the prevailing profits squeeze is not affecting capital outlays or R&D expenditures. The 1961 budget for domestic and foreign improvement comes to $210-to-220,000,000. And to back up its oft-quoted "Better things for better living . . . through chemistry," duPont plans to increase R&D appropriations over the record $95,000,000 spent in 1960.

FOR FICKLENESS

According to a famous operatic aria, *la donna e mobile,* woman is fickle. Maybe. But that's not necessarily bad.

Fidelity has its place in this world, heaven knows. But has it ever occurred to you that there's something to be said for fickleness, too?

In the stock market, for example, fickleness can be a big asset. Here's why. The market is a kind of giant kaleidoscope in which the basic elements don't change, but positions and patterns and *values* do—from day to day, from hour to hour, from minute to minute. And so the investor who is fickle may be better off than the investor who is faithful, simply because he is always ready to change his holdings when a change seems called for—to withdraw his favors when he is disappointed and bestow them elsewhere.

Not that investing for the long term is impossible. It can be done—and very successfully, too. But even the long-term investor should always keep an eye on his stocks and be prepared to sell if necessary, knowing that change is the essence of the market.

The moral? Simply that men might be well advised to stop taking a dim view of the proverbial fickleness of women and cultivate a little of it themselves. They might call it adaptability—to avoid being accused of horning in on a feminine monopoly.

There's an old saw that's worth keeping in mind: Wise men change their minds; fools, never.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to